

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 DODE-00 PM-04 NSC-05 SP-02
SS-15 CIAE-00 INR-07 NSAE-00 INRE-00 NSCE-00 L-03
IGA-02 OMB-01 TRSE-00 AID-05 /057 W
-----152344Z 099721 /66
O 151749Z APR 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 0979

C O N F I D E N T I A L LISBON 3010

E.O. 11652: GDS
TAGS: PINT, MARR, PO
SUBJ: AZORES BASE NEGOTIATIONS: GOP INTERAGENCY POSITION

REF: (A) LISBON 2953, (B) LISBON 2940, (C) LISBON 2900

1. DCM AND I MET TODAY, APRIL 15, WITH JOSE VILLAS-BOAS (DEPDIRGEN FOR POLITICAL AFFAIRS OF FOREIGN MINISTRY). AS DEPARTMENT AWARE, FONMIN MEDEIROS FERREIRA HAD TOLD ME EARLIER THIS WEEK THAT VILLAS-BOAS WOULD PARTICIPATE IN SOARES VISIT, SPECIFICALLY TO DISCUSS FORTHCOMING AZORES BASE TALKS (REF C).

2. VILLAS-BOAS GAVE US DETAILED RUNDOWN ON GOP POSITION FOR AZORES TALKS AS IT HAS EMERGED FROM PORTUGUESE INTERAGENCY COMMITTEE, WHICH HE CHAIRS. INTERAGENCY COMMITTEE ALSO INCLUDES AZOREAN REP AND MINISTRY OF PLANNING. HE DESCRIBED AT LENGTH PROBLEMS MAINLAND GOP HAD IN DEALING WITH EXAGGERATED AZOREAN CLAIMS AS WELL AS NEED TO HANDLE AZOREANS TACTFULLY. IT WAS CLEAR FROM VILLAS-BOAS'S EXPOSITION THAT SENSITIVE HANDLING OF AZOREANS IS PARAMOUNT CONCERN IN GOP'S MIND.

3. VILLAS-BOAS DID NOT MENTION AT ALL POSSIBLE ISRAELI RESUPPLY ISSUE. NOR, OF COURSE, DID WE.
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4. TWO TECHNICAL POINTS: VILLAS-BOAS SAID INTERAGENCY COMMITTEE HAD AGREED ON TWO TECHNICAL POINTS WHICH HE THOUGHT WOULD PRESENT NO PROBLEM TO USG:
(A) LENGTH OF RENEWAL: THE GOP WILL SEEK A 7-YEAR RENEWAL, RETROACTIVE TO THE EXPIRATION OF THE LAST AGREEMENT, I.E. 1974-81. VILLAS-BOAS EXPLAINED THAT THE

GOP HOPES FOR A 4-YEAR REAL-LIFE AGREEMENT PRIMARILY IN CONNECTION WITH THEIR DESIRED PROJECT AID.

(B) FORM OF RENEWAL: GOP DESIRES THAT RENEWAL BE DONE AS IT WAS LAST TIME, I.E. BY AN EXCHANGE OF NOTES. THE ONLY ADDITIONAL ALTERATION THE GOP DESIRES WOULD BE IN THE TECHNICAL ANNEXES TO THE CURRENT AGREEMENT CONCERNING RESPONSIBILITY FOR THE LOCAL EMPLOYEES WHO WORK AT LAJES. (COMMENT: AS DEPARTMENT AWARE, TURBULENT LABOR SITUATION IN PORTUGAL HAS LED TO SOME LABOR PROBLEMS AT LAJES. WHILE THESE HAVE PROVEN TO BE MANAGEABLE, LEFTIST UNIONS CONTINUE TO PUSH FOR DIRECT DEALINGS WITH COMUSFORAZ.)

5. THE ASKING QUID: VILLAS-BOAS SPENT BULK OF TIME DISCUSSING THE QUID. INTERAGENCY COMMITTEE'S QUID PACKAGE IS IN TWO PARTS--NONMILITARY AID, ALL OF WHICH IS REQUESTED FOR THE AZORES--AND A MILITARY ASSISTANCE PACKAGE.

-- THE AZOREAN AID REQUEST IS 350-375 MILLION DOLLARS, TO BE DRAWN OVER THE 4-YEAR EFFECTIVE LIFE OF THE EXTENSION. THE GOP ENVISAGES THIS AID TAKING THE FORM OF PROJECT LOANS IN THE FOLLOWING AREAS: HARBOR IMPROVEMENT AT PRAIA DA VITORIA; OTHER TRANSPORTATION RELATED PROJECTS, SUCH AS AIRPORTS; GEOTHERMAL POWER; SANITATION FACILITIES; HEALTH PROJECTS; SCHOOL CONSTRUCTION; AND HOUSING. A GRANT OF \$10 MILLION WILL ALSO BE REQUESTED TO CONDUCT A FEASIBILITY STUDY ON AZOREAN TRANSPORTATION REQUIREMENTS.

-- MILITARY AID: REQUESTS FOR MILITARY AID WOULD BE AS FOLLOWS: PORTUGUESE ARMY - \$36 MILLION; PORTUGUESE NAVY - \$19 MILLION; PORTUGUESE AIR FORCE - \$6 MILLION. HE DID NOT SPECIFY HOW THIS REQUESTED MILITARY QUID WOULD BE UTILIZED, EXCEPT TO CONFIDENTIAL

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STATE THAT IT SHOULD BE GRANT AID FOR INFRASTRUCTURE RATHER THAN FOR EQUIPMENT.

6. NOTING THAT WASHINGTON WOULD PROVIDE THE OFFICIAL USG REACTION, I GAVE VILLAS-BOAS MY PERSONAL COMMENT OF THIS PROPOSED QUID PACKAGE. I TOLD HIM THAT THE GOP/AZOREAN QUID WAS ABSURDLY HIGH, ESPECIALLY IN VIEW OF THE AZOREAN INABILITY TO DIGEST AND SPEND WHAT WE HAD ALREADY PROVIDED FOR THEM UNDER OUR AID PROGRAM. I CITED NUMEROUS EXAMPLES OF AZORAN UNDERUTILIZATION OF AID FUNDS OVER THE LAST YEAR OR SO. VILLAS-BOAS DID NOT IN ANY WAY CONTEST MY CITING CHAPTER AND VERSE ON THIS POINT AND OUR DISCUSSION WAS AT ALL TIMES EXTREMELY FRIENDLY (AT ONE POINT VILLAS-BOAS COMMENTED THAT IT WAS MUCH EASIER TO TALK ABOUT THIS SUBJECT WITH US THAN WITH THE AZOREANS). I LEFT VILLAS-BOAS WITH THE CLEAR IMPRESSION THAT WASHINGTON WOULD FIND THE 350-375 MILLION DOLLAR FIGURE MUCH TOO HIGH.

7. COMMENT: THIS DISCUSSION WITH VILLAS-BOAS REINFORCES MY

BELIEF THAT THE GOP WANTS TO USE THE "INFORMAL" DISCUSSIONS WITH US AS A LEVER TO SCALE DOWN AZOREAN EXPECTATIONS. PUT BLUNTLY, THEY THEMSELVES DO NOT FEEL THEY HAVE THE POLITICAL CLOUT TO GET THEM DOWN ANY FURTHER. I AM THEREFORE INCLINED TO BELIEVE THAT IF WE SET A SUBSTANTIALLY LOWER FIGURE, BASED IF NOTHING ELSE ON EXPERIENCE WITH EXISTING AID PROGRAMS, GOP WOULD BE PREPARED TO DELIVER THE BAD NEWS TO THE AZOREANS ON OUR BEHALF. IT IS CLEAR THAT GOP INTENDS FOR THIS TO BE DONE "INFORMALLY" TO AVOID CONSTITUTIONAL REQUIREMENT THAT AOZREANS BE PRESENT DURING NEGOTIATING SESSIONS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, AZORES, NEGOTIATIONS, MILITARY BASE AGREEMENTS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON03010
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770132-0259
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770453/aaaabtza.tel
Line Count: 128
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6dee98a4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LISBON 2953, 77 LISBON 2940, 77 LISBON 2900
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2796195
Secure: OPEN
Status: NATIVE
Subject: AZORES BASE NEGOTIATIONS: GOP INTERAGENCY POSITION
TAGS: PINT, MARR, PO, US, (VILLAS-BOAS, JOSE)
To: STATE
Type: TE
vdkgvwkey: odbs://SAS/SAS.dbo.SAS_Docs/6dee98a4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009